

## Message Text

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ACTION EUR-12

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USOECN RECOMMEND INCLUSION IN COMMERCE FMR SERVICE

E.O. 11652: N/A  
TAGS: ETRD, BGEN, YO  
SUBJECT: NEW REGULATION ON REPRESENTATION OFFICES FOR FOREIGN FIRMS

TO USYEC, VIRGINIA YORIO FOR J.S. WALKER  
GENERAL ELECTRIC CO.  
570 LEXINGTON AVE.  
NEW YORK, N.Y. 10022  
TELEX: RCA 234 698

1. A NEW REGULATION ON THE ESTABLISHMENT AND WORK OF REPRESENTATION  
OFFICES OF FOREIGN FIRMS IN YUGOSLAVIA (OFFICIAL GAZETTE, NO. 30,  
ITEM 399), ISSUED ON JUNE 13, 1977, PERMITS REPRESENTATION  
OFFICES TO ENGAGE IN A WIDER RANGE OF COMMERCIAL ACTIVITIES THAN  
PREVIOUSLY ALLOWED AND, FOR THE FIRST TIME, ENABLES FOREIGN  
BANKS TO ESTABLISH AN OFFICIAL PRESENCE IN COUNTRY.

2. FOREIGN FIRMS ARE NOW AUTHORIZED TO ESTABLISH REPRESENTATION  
OFFICES WHICH CAN ENGAGE IN SALES PROMOTION AS WELL AS PURCHASING.  
AS UNDER THE PREVIOUS REGULATION, A FIRM WHICH IS ASSOCIATED  
WITH A YUGOSLAV ENTERPRISE THROUGH A JOINT VENTURE, LONG-TERM  
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COOPERATION OR TECHNICAL SERVICES AGREEMENT IS ALSO PERMITTED  
TO HAVE ITS OWN LOCAL OFFICE.

3. FOREIGN BANKS AND FINANCIAL INSTITUTIONS WHICH HAVE ESTABLISHED  
CREDIT RELATIONS WITH YUGOSLAV BANKS AND ENTERPRISES ARE ALLOWED  
TO OPEN LOCAL OFFICES TO PERFORM THE FOLLOWING SERVICES:  
ASSIST YUGOSLAV ENTERPRISES IN OBTAINING CREDIT FROM ABROAD;

COOPERATE WITH YUGOSLAV ENTERPRISES IN PREPARING INVESTMENT STUDIES FOR WHICH FINANCING APPROVAL HAS BEEN GIVEN; AND ASSIST YUGOSLAV ENTERPRISES IN FINANCING PROJECTS IN DEVELOPING COUNTRIES.

4. IN ADDITION TO OFFICES ESTABLISHED FOR THE PURPOSES NOTED IN PARA 2 AND 3, THE NEW REGULATION PERMITS REPRESENTATION OFFICES FOR FOREIGN FIRMS DEALING IN QUALITY CONTROL, CONSTRUCTION AND TESTING OF SHIPS, MARITIME AND RIVER NAVIGATION, TOURISM AND ROAD/RAIL/AIR TRANSPORT.

5. APPLICATIONS FOR THE ESTABLISHMENT OF A COMMERCIAL REPRESENTATION OFFICE ARE SUBJECT TO THE FOLLOWING CONDITIONS, AMONG OTHERS. FIRST, ONLY FOREIGN FIRMS WHICH HAVE ENGAGED IN IMPORT AND EXPORT ACTIVITIES FOR THREE YEARS IN YUGOSLAVIA ARE ELIGIBLE TO APPLY FOR A REPRESENTATION PERMIT UNLESS THE FIRM IS INVOLVED IN ONE OF THE ARRANGEMENTS THAT ALREADY ALLOW REPRESENTATION. SECOND, IN ORDER TO RETAIN ITS RIGHTS TO A REPRESENTATION OFFICE, A FOREIGN FIRM MUST MAINTAIN A CERTAIN LEVEL OF YUGOSLAV EXPORTS WHICH IS DETERMINED BY THE FOREIGN TRADE SECRETARIAT. THIRD, THE REGULATION STATES THAT REPRESENTATION OFFICES CAN DEVELOP EXPORT-IMPORT BUSINESS ONLY WITH REGISTERED YUGOSLAV FOREIGN TRADE ENTERPRISES. FOURTH, ALL YUGOSLAV EMPLOYEES MUST BE APPROVED BY THE AUTHORITIES OF THE REPUBLIC (OR PROVINCE) WHERE THE REPRESENTATIVE OFFICE IS LOCATED, AND LEAST HALF OF THE TECHNICAL STAFF MUST BE YUGOSLAV CITIZENS ALTHOUGH NOT THE OFFICE DIRECTOR AS REQUIRED IN THE PAST. FIFTH, A FOREIGN  
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BANK GUARANTEE, RATHER THAN THE PREVIOUS ND 600,000 SECURITY DEPOSIT, IS REQUIRED TO ASSURE PAYMENT OF ALL FINANCIAL OBLIGATIONS INCURRED BY THE REPRESENTATION OFFICE. SIXTH, REPRESENTATION OFFICES MUST MAINTAIN THEIR BOOKS AND RECORDS IN ACCORDANCE WITH REGULATIONS SET DOWN BY THE FINANCE SECRETARIAT. FINALLY, REPRESENTATION OFFICES ARE REQUIRED TO SUBMIT TO THE FOREIGN TRADE SECRETARIAT ANNUAL REPORTS ON THEIR ACTIVITIES, THE CONTENTS OF WHICH WILL BE DETERMINED BY REGULATIONS ISSUED BY THE FINANCE SECRETARIAT.

6. FOREIGN FIRMS, INCLUDING BANKS AND OTHER FINANCIAL INSTITUTIONS, WISHING TO ESTABLISH A REPRESENTATION OFFICE SHOULD APPLY TO THE FOREIGN TRADE SECRETARIAT. BEFORE MAKING A DETERMINATION, THE FOREIGN TRADE SECRETARIAT WILL CONSULT WITH THE YUGOSLAV CHAMBER OF ECONOMY AND OTHER AUTHORITIES COMPETENT IN THE RELEVANT INDUSTRIAL SECTOR. APPLICATIONS FILED BY BANKS AND OTHER FINANCIAL INSTITUTIONS ARE REVIEWED BY THE FINANCE SECRETARIAT AND THE NATIONAL BANK OF YUGOSLAVIA. IN ADDITION TO CLEARANCES FROM THESE ORGANS THE FOREIGN TRADE SECRETARIAT MUST ALSO OBTAIN AN OPINION OF THE FEDERAL EXECUTIVE COUNCIL AS TO WHETHER THE ACTIVITIES OF THE PROPOSED REPRESENTATION OFFICES WOULD CONFORM WITH REGULATIONS GOVERNING YUGOSLAV FOREIGN

ECONOMIC POLICY.

7. FOREIGN FIRMS WHICH HAVE RECEIVED PERMISSION FOR A REPRESENTATIVE OFFICE UNDER THE PROVIOUS REGULATION HAVE UNTIL JANUARY 17, 1978 TO BRING THE OPERATION OF THE OFFICE INTO CONFORMITY WITH THE NEW REGULATION AND PROVIDE THE FOREIGN TRADE SECRETARIAT WITH ALL REQUIRED DOCUMENTATION.

8. TRANSLATION OF TEXT WILL FOLLOW SHORTLY.  
EAGLEBURGER

NOTE BY OCT: PASSED ABOVE ADDRESSEE.

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## Message Attributes

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